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SUBJECT: KAZAKHSTAN: GUIDANCE SOUGHT ON ASSISTANCE TO U.S. TOBACCO
FIRM

REF: STATE 6604

11. (SBU) Summary: Post seeks Department's guidance on a request from Phillip Morris's Kazakhstan office for the Ambassador to sign a letter of support for Phillip Morris's application to join Kazakhstan's "Foreign Investors' Council" (FIC). The FIC, chaired by President Nazarbayev, promotes dialogue between the Government of Kazakhstan (GOK) and foreign investors, with the goal of improving the investment climate. Representatives from current FIC member companies have told Post that one of the key, if informal, benefits of FIC membership is direct access of company CEOs to President Nazarbayev during FIC plenary sessions held each year. As Phillip Morris might logically use its FIC membership, and resulting access to key GOK decision-makers, to lobby business interests that the USG cannot legally support, Post would appreciate Department's guidance on the advisability of writing a letter of support for membership. End summary.

Formal Role of FIC

12. (SBU) Ali Takesh, Managing Director, Phillip Morris Kazakhstan and Central Asia South, recently asked the Embassy for a letter in support of his company's application for membership in the FIC. The FIC is an advisory body, established in 1998 to promote dialogue between the GOK and private investors "in order to efficiently address key issues related to their investment activities in the country, to improve the investment climate of Kazakhstan for the benefit of foreign investors..." Members are formally charged with developing recommendations for President Nazarbayev and the GOK on "key investment and economic development issues," as well as "analyzing and discussing other core investment policy issues upon instruction of the President." The FIC's fundamental work is undertaken by five working groups, which address areas of interest (oil and gas, legal, taxation, investment image enhancement, and operations). The FIC also holds twice-yearly "interim sessions" chaired by the Deputy Prime Minister or Minister of Industry and Trade, and one or two annual "plenary sessions," chaired by President Nazarbayev and customarily attended by company CEOs. Twenty-one companies currently belong to the FIC. (For more information of the FIC, see www.fic.kz.)

Informal Role of FIC

13. (SBU) A few FIC member company representatives have told Post that one of the key benefits of FIC membership is the opportunity it confers on company CEOs to meet directly with President Nazarbayev on the margins of the plenary sessions. These meetings naturally offer an opportunity for CEOs to address issues affecting existing operations in Kazakhstan, as well as to advocate for new business

opportunities. Thus, it is conceivable that Phillip Morris would use its FIC membership to lobby, at the highest levels, for business opportunities which the USG cannot legally support under reftel guidance.

Phillip Morris's Application

¶4. (SBU) Phillip Morris appears to meet the formal requirements for FIC membership, which include a minimum of \$25 million of direct investment for non-oil/gas companies, and several qualitative criteria addressing issues of corporate responsibility, significance for the Kazakhstani economy, and prospects for future growth.

¶5. (SBU) Furthermore, the company appears well-placed to contribute to the FIC's high-level discussion of Kazakhstan's investment climate. Phillip Morris was the first foreign investor recognized by newly-independent Kazakhstan, and went on to be a founding member of the American Chamber of Commerce. With over \$330 million invested in a manufacturing facility near Almaty, the company is both one of the largest employers in the country and one of the biggest foreign investors outside of the energy sector. These factors suggest that the company would make a constructive contribution to the FIC's work.

¶6. (SBU) The FIC considers seven criteria for admission, including the "recommendations of industrial and business associations, and foreign embassies" accredited in Kazakhstan. Thus, the absence of a letter from the Embassy is likely to be noted, and have a detrimental effect (however small) on Phillip Morris's candidacy.

¶7. (SBU) Post appreciates Department's guidance as soon as possible.

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